

REPORT OF THE AUDIT COMMITTEE

FEBRUARY 9, 2010

The Honorable,
The Board of Commissioners of Cook County

ATTENDANCE

Present: Chairman Daley and Vice Chairman Goslin, Commissioners Butler, Gainer, Gorman and Schneider (6)

Ex-Officio Members: Laura A. Burman – Cook County Auditor; and Jaye Morgan Williams – Chief Financial Officer, Bureau of Finance (2)

Absent: Commissioner Reyes (1)

Also Present: Commissioner Peraica (1); David Ramos – Executive Director, Cook County Department of Homeland Security and Emergency Management; Minette Robinson – Budget Director, Department of Homeland Security and Emergency Management; Fasil Abasi – Director of Financial Reporting, Comptroller's Office; Patrick T. Driscoll, Jr. – Deputy State's Attorney, Chief, Civil Actions Bureau; Tracey Guidry – Audit Director, Deloitte & Touche, LLP; Constance Kravitz – Cook County Comptroller; Karen Crawford – Assistant Comptroller, County Comptroller's Office; Wasiu Fashina – Chief Financial Officer, Clerk of the Circuit Court's Office; and Earl Dunlap, Transitional Administrator – Juvenile Temporary Detention Center

Court Reporter: Anthony W. Lisanti, C.S.R.

Ladies and Gentlemen:

Your Audit Committee of the Board of Commissioners of Cook County met pursuant to notice on Tuesday, February 9, 2010 at the hour of 1:30 P.M. in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Chairman Daley called the meeting to order, and entered into the record a copy of a letter from his office to the Clerk of the Circuit Court (Attachment A), and a copy of a letter to Cook County Auditor Laura Burman, from Kurt F. Schmid, Executive Director of Chicago High Intensity Drug Trafficking Area (Attachment B).

Jaye Morgan Williams, Chief Financial Officer, stated there were numerous improvements in operating activities during Fiscal Year 2008, resulting in a net reduction in the number of control deficiencies, significant deficiencies and material weaknesses identified by the auditors.

For example, in 2007 there were seventeen control deficiencies, nine significant deficiencies, and four material weaknesses. For 2008, those figures dropped to thirteen, six, and three, respectively. The audit took twelve months to complete, more than twice the length of time recommended by auditing standards. This was due to transitioning activities and staff changes.

Furthermore, the added workload caused by the State's Attorney's investigation (concluded), contributed to the delay.

The Bureau of Finance is planning a more aggressive audit timeframe this year and fully expects the 2009 audit to be completed by the end of June.

Tracey Guidry, Audit Director, Deloitte & Touche, presented the Committee with an overview of the 2008 audit process (Attachment C), including the scope of work, members of the team, and summary of recommendations. Ms. Guidry also discussed various changes to the audit process required by the Government Accounting Standards Board (GASB).

Ms. Guidry referenced a memo dated November 25, 2009, from the Chief Financial Officer (Attachment D). This memo concluded that no evidence of inappropriate business practices was found during a recent investigation of the County's finances. Ms. Guidry affirmed that this memo satisfied Deloitte's requirement for third party assurance.

Chairman Daley stated his concern that all departments and agencies in county government must cooperate fully, in a timely manner, with any request for information from any member of the audit team. He directed Ms. Guidry to inform the Committee if any lack of cooperation becomes apparent in the future.

Your Committee commenced consideration of the audits and report:

301501 FISCAL YEAR 2008 INDEPENDENT AUDITOR REPORT – CLERK OF THE CIRCUIT COURT'S OFFICE. Transmitting a Communication, dated June 15, 2009 from Dorothy Brown, Clerk of the Circuit Court:

submitting the Fiscal Year 2008 Independent Auditor Report, which includes the Report of Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards for the Office of the Clerk of the Circuit Court.

*** Referred to the Audit Committee on July 2, 2009.**

Commissioner Butler, seconded by Commissioner Goslin, moved to receive and file Communication Number 301501. The motion carried.

302434 INDEPENDENT AUDITOR'S REPORT OF THE FINANCIAL STATEMENTS – TREASURER'S OFFICE. Transmitting a Communication, dated August 18, 2009 from Maria Pappas, County Treasurer:

submitting herewith a copy of the Independent Auditor's Report of the financial statements of the Cook County Treasurer's Office as of November 30, 2008 and 2007 and a copy of the Independent Auditor's Report to Management of the Cook County Treasurer's Office for the year ended November 30, 2008.

*** Referred to the Audit Committee on September 1, 2009.**

Commissioner Butler, seconded by Commissioner Goslin, moved to receive and file Communication Number 302434. The motion carried.

304173 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated December 15, 2009 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

Subject: Comprehensive Annual Financial Report (CAFR)
 for the Fiscal Year ended November 30, 2008

submitting herewith a copy of Cook County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended November 30, 2008, prepared by the Cook County Office of the Comptroller and audited by Deloitte & Touche, LLP. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on December 15, 2009.**

Commissioner Peraica inquired about mandates imposed by GASB 45, in regard to post-employment benefits. Specifically, what is the cost estimate of the County's total obligation?

Constance Kravitz, Cook County Comptroller, said the amount is estimated at \$1.45 billion.

Commissioner Peraica inquired about allocation of costs pertaining to self-insurance, building operations charges.

Tracey Guidry confirmed that such costs are not allocated in that manner under current practices, which is an acceptable policy. However, allocating them is an alternative and could be implemented if the Board of Commissioners so directs.

Jaye Williams said she would consider this alternative during the course of the fiscal year.

Commissioner Gainer said that determining cost allocations can be a lengthy process, and she suggested that Ms. Williams begin with more basic elements of it to make it easier to initiate the process.

Commissioner Butler, seconded by Commissioner Gainer, moved to receive and file Communication Number 304173. The motion carried.

304174 COOK COUNTY SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated December 15, 2009 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

Subject: Cook County Single Audit Report for the
 Fiscal Year ended November 30, 2008

submitting herewith a copy of the Cook County Single Audit Report for the fiscal year ended November 30, 2008, prepared by the Cook County Office of the Comptroller and audited by Washington, Pittman & McKeever, LLC. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on December 15, 2009.**

Commissioner Goslin, seconded by Commissioner Butler, moved to receive and file Communication Number 304174. The motion carried.

304175 COOK COUNTY'S BASIC FINANCIAL STATEMENTS FOR SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated December 15, 2009 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

Subject: Cook County's Basic Financial Statements for
Single Audit Report for the fiscal year ended
November 30, 2008

submitting herewith a copy of Cook County's Basic Financial Statements for Single Audit Report for the fiscal year ended November 30, 2008, prepared by the Cook County Office of the Comptroller and audited by Deloitte & Touche, LLP. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on December 15, 2009.**

Chairman Daley inquired about the number of checks received by the Clerk of the Circuit Court that are returned for non-sufficient funds.

Wasiu Fashina, Chief Financial Officer, Clerk of the Circuit Court's Office, stated that it is less than one percent. They have considered a ban on personal checks, but have determined that it would cause inconvenience to many users of the court system.

Commissioner Peraica pointed out that if attorneys bounce checks, they are subject to disciplinary measures.

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304175. The motion carried.

304176 COOK COUNTY'S ACTUARIAL ANALYSIS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated December 15, 2009 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

Subject: Cook County's Actuarial Analysis
for the year ended November 30, 2008

submitting herewith a copy of Cook County's Actuarial Analysis for the fiscal year ended November 30, 2008, prepared by ARM Tech, a subsidiary of AON Risk Services. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on December 15, 2009.**

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304176. The motion carried.

304793 FISCAL YEAR 2008 ILLINOIS DEPARTMENT OF HUMAN SERVICES GRANT REPORT. Transmitting a Communication, dated January 5, 2010 from Laura A. Burman, C.P.A., Cook County Auditor:

submitting herewith a copy of the FY2008 Cook County Department of Human Services (DHS) Grant Report. The Illinois Department of Human Services (DHS) requires annual financial reporting from providers which receive funding from DHS. Included in Cook County's reporting package is the "Report on Agreed-Upon Procedures to Review Grant Reports" issued by the Cook County Auditor.

*** Referred to the Audit Committee on January 26, 2010.**

Commissioner Peraica asked about the status of an investigation into funds held in accounts at Seaway Bank.

Karen Crawford, Assistant Comptroller, Comptroller's Office, responded that all matters pertaining to Seaway Bank have been resolved, and there is no open investigation.

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304793. The motion carried.

304794 QUALITY ASSESSMENT OF THE OFFICE OF THE COOK COUNTY AUDITOR FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated January 5, 2010 from Laura A. Burman, C.P.A., Cook County Auditor:

submitting herewith a copy of the Quality Assessment of the Office of the Cook County Auditor for the fiscal year ended November 30, 2008. Government auditing standards require that our office undergo a periodic external quality review. The report represents the results of the review conducted by Deloitte & Touche, LLP.

*** Referred to the Audit Committee on January 26, 2010.**

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304794. The motion carried.

304807 COOK COUNTY HEALTH AND HOSPITALS SYSTEM (CCHHS) REPORT TO MANAGEMENT AS OF AND FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated January 26, 2010 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

submitting herewith a copy of the Cook County Health and Hospitals System (CCHHS) Report to Management as of and for the Fiscal Year Ended November 30, 2008 prepared by the CCHHS Finance and audited by Deloitte & Touche, LLP. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on January 26, 2010.**

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304807. The motion carried.

304808 COOK COUNTY REPORT TO MANAGEMENT FOR THE YEAR ENDED NOVEMBER 30, 2008. Transmitting a Communication, dated January 26, 2010 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

submitting herewith a copy of the Cook County Report to Management for the Year Ended November 30, 2008 prepared by Deloitte & Touche, LLP with responses from Cook County Management. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on January 26, 2010.**

Chairman Daley inquired about internal controls regarding the food inventory at the Juvenile Temporary Detention Center.

Earl Dunlap, Transitional Administrator, Juvenile Temporary Detention Center, stated there was a problem with theft of supplies in the past. This goes back to 2002, prior to his arrival. There is a new system in place, with new software that will be upgraded during 2010. The inventory logs and pull sheets for commodities have been in use and strictly enforced since August of 2009. The only individuals with keys are three employees that are assigned to the storage room and the supervisor assigned to the shift. The room is monitored by video camera 7 days a week and 24 hours a day. The food inventory is done weekly by the food service director, and a written policy and procedure manual is in place to ensure compliance. A year-end inventory was performed on January 8, 2010 for the 2009 year. This inventory was accurate, and reconciled with the records to show the theft problem has been addressed.

Commissioner Peraica asked about inventory controls at the Department of Homeland Security and Emergency Management.

David Ramos, Executive Director of the Department of Homeland Security and Emergency Management, stated that a new asset tracking system is under development. He is working with the Chief Financial Officer and support staff from the Bureau of Finance to address this.

Minette Robinson, Budget Director, Department of Homeland Security and Emergency Management, said they are still working on the transition of assets from the former structure of homeland security-related duties, prior to the formation of the current department.

Commissioner Peraica asked if there was an audit of the Department being conducted by the Government Accounting Office (GAO)?

Ms. Robinson said she was not aware of any such audit by the GAO. *(Note: after the meeting adjourned, Chairman Daley requested a clarification of this matter. A letter was subsequently submitted by Mr. Ramos on February 10, 2010. See Attachment E).*

Fasil Abasi, Director of Financial Reporting, Comptroller's Office, said the federal government looks at all audit-related matters as part of the annual Single Audit. This is done annually. However, he is not aware of any GAO inquiry at the Department of Homeland Security and Emergency Management.

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304808. The motion carried.

304809 COOK COUNTY HEALTH AND HOSPITALS SYSTEM (CCHHS) FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2008, COMBINING SUPPLEMENTAL SCHEDULES AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2008, AND INDEPENDENT AUDITORS' REPORT. Transmitting a Communication, dated January 26, 2010 from Jaye M. Williams, Chief Financial Officer, Bureau of Finance:

Submitting herewith a copy of the Cook County Health and Hospitals System (CCHHS) Financial Statements as of and for the Year Ended November 30, 2008, Combining Supplemental Schedules as of and for the Year Ended November 30, 2008, and Independent Auditors' Report prepared by the CCHHS Finance and audited by Deloitte & Touche, LLP with responses from CCHHS Management. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on January 26, 2010.**

Commissioner Schneider, seconded by Commissioner Butler, moved to receive and file Communication Number 304809. The motion carried.

Chairman Daley asked the Secretary to the Board to call upon the registered public speaker, in accordance with Cook County Code, Sec. 2-108(dd):

1. George Blakemore - Concerned Citizen

Commissioner Butler, seconded by Commissioner Gainer, moved to adjourn the meeting. The motion carried and the meeting was adjourned.

**YOUR COMMITTEE RECOMMENDS THE FOLLOWING ACTION
WITH REGARD TO THE MATTERS NAMED HEREIN:**

Communication Number 301501	Receive and File
Communication Number 302434	Receive and File
Communication Number 304173	Receive and File
Communication Number 304174	Receive and File
Communication Number 304175	Receive and File
Communication Number 304176	Receive and File
Communication Number 304793	Receive and File
Communication Number 304794	Receive and File
Communication Number 304807	Receive and File
Communication Number 304808	Receive and File
Communication Number 304809	Receive and File

Respectfully submitted,
Audit Committee

John P. Daley, Chairman

Attest:

Matthew B. DeLeon, Secretary

The transcript and audio recording for this meeting is available from the Office of the Secretary to the Board, 118 North Clark Street, Room 567, Chicago, IL 60602.